**NORTH YORKSHIRE COUNTY COUNCIL**

**AUDIT COMMITTEE**

**20 MARCH 2023**

**COUNTER FRAUD STRATEGY, WORKPLAN, AND FRAUD RISK ASSESSMENT**

**Report of the Head of Internal Audit**

---

**1.0    PURPOSE OF THE REPORT**

1.1    To seek Member approval for the Counter Fraud Strategy 2023-27 and the Counter Fraud workplan.

1.2    To consider the outcome of the annual Fraud Risk Assessment.
.

---

2.0    **BACKGROUND**

2.1    Fraud is a significant risk to the public sector. The government estimates that the taxpayer loses up to £51.8 billion to fraud and error in public spending every year[1]. Financial loss due to fraud reduces local government's ability to support essential public services and, in some cases, can result in significant reputational damage.

3.0    **COUNTER FRAUD STRATEGY 2023-27**

3.1    North Yorkshire Council, as a newly established unitary authority, may face a higher risk of fraud due to the level of change required for employees, including structure, policies and systems. It is therefore important that the Council develops a robust anti-fraud culture and maintains appropriate measures to prevent and detect fraud.

3.2    The draft Counter Fraud and Corruption Strategy is attached at **appendix 1**. The strategy sets out the Council's approach to combatting fraud and identifies five key themes or areas of development to focus on over the next four years. These themes are based on the national Fighting Fraud and Corruption Locally strategy[2] which sets out a framework to address fraud against local government, by:

- **Governing** – having robust arrangements and executive support to ensure counter fraud measures are embedded

- **Acknowledging** – understanding fraud risks and committing resources to tackle fraud

- **Preventing** – developing an anti-fraud culture, maintaining controls and using information and technology to help prevent and detect fraud

---

[1] Fraud and Error (Ninth Report of Session 2021/22), Public Accounts Committee, House of Commons
[2] A Strategy for the 2020s, Fighting Fraud and Corruption Locally

- **Pursuing** – investigating fraud, creating a deterrent by punishing offenders, and recovering losses where they occur

- **Protecting** – protecting the Council and its employees from becoming victims of fraud, and protecting residents against the harm that fraud can do to their communities

3.3   The Counter Fraud Strategy contains a plan (appendix A of the strategy) with actions linked to each of the five key themes. The action plan will be updated on a rolling annual basis.

## 4.0   COUNTER FRAUD WORKPLAN

4.1   The Counter Fraud workplan is attached as **appendix 2**. The plan sets out the areas of counter fraud work to be undertaken in 2023/24. The time allocation for each area is not known at this stage because it will depend on the levels of suspected fraud reported to the Corporate Fraud Team (CFT). Reactive investigations (determined by allegations of fraud received) will however account for the largest proportion of work. Priorities for work in the remaining areas will be determined in accordance with the Council's Counter Fraud Strategy and Counter Fraud Risk Assessment.

4.2   A total of 1,137 days has been allocated to counter-fraud work in 2023/24.

## 5.0   FRAUD RISK ASSESSMENT

5.1   Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences of fraud[3]. An initial assessment of fraud risks for North Yorkshire Council is set out in **appendix 3**. The assessment is designed to identify the areas of fraud that present the greatest risk to the new Council. The risk assessment is informed by national and regional reports of fraud affecting local authorities. The results of the assessment will be used to focus future audit and counter fraud work and help to develop or strengthen fraud prevention measures. The risk assessment will be updated annually.

5.2   The assessment identifies the following areas as key areas of focus for counter fraud work in 2023/24:

- Adult social care fraud
- Creditor fraud
- Cybercrime

5.3   The fraud risk assessment will be kept under review so that any significant new or emerging risks are identified and addressed.

---

[3] Code of Practice on Managing the Risk of Fraud and Corruption, CIPFA, 2014

6.0 **RECOMMENDATION**

6.1 Members are asked to:

- approve the Counter Fraud Strategy 2023-27 and the 2023/24 Counter Fraud workplan

- note the findings of the annual Fraud Risk Assessment

M A THOMAS
Head of Internal Audit

20 March 2023

**BACKGROUND DOCUMENTS**

None

Report prepared by Jonathan Dodsworth (Veritau – Counter Fraud) and presented by Max Thomas (Head of Internal Audit).

Veritau - Assurance Services for the Public Sector
County Hall
Northallerton

# COUNTER FRAUD STRATEGY

# 2023 - 2027

## Forward by the Corporate Director of Resources

The new North Yorkshire Council combines eight separate local authorities to form the geographically largest council in England. It is a unique opportunity to protect and deliver much needed services to our residents at a time when there is extreme financial pressure on public services.

Whilst the geographical area is large, North Yorkshire Council will be local at heart. The people and communities in North Yorkshire make it a special place to live, work and visit. We understand that our residents expect the Council to manage its income and funds as they would manage their own money, with care and to achieve best value.

All councils and public organisations can suffer from fraud in one form or another. Fraud against North Yorkshire Council is in effect theft from our residents. Money lost to fraud is funding that cannot be spent on the vital public services we all rely on. From its inception we want to protect our new council from fraud and the people who commit it.

This strategy sets out the measures the Council will take to develop its arrangements to tackle fraud and corruption. We will seek to identify areas where fraud may occur and limit opportunities for fraudsters to exploit the Council. Where fraud is suspected we will investigate robustly, and where it is proved will utilise all measures available to us to deal with criminals and recover any losses.

Our message from the outset is straightforward, this council will not tolerate any fraud or corruption against it.

Gary Fielding
**Corporate Director of Resources**

**Introduction**

1    Fraud is a significant risk to the public sector. The government estimates that the taxpayer loses up to £51.8 billion to fraud and error in public spending every year.[1] Financial loss due to fraud can reduce a council's ability to support public services and cause reputational damage. The risk of fraud is ever evolving and where fraud used to be undertaken at a local level it increasingly originates nationally and internationally.

2    North Yorkshire Council brings together eight local authorities each with their own individual fraud risks and approaches to dealing with it. The new council will address fraud in a unified way ensuring that all council departments are protected from the threat of fraud.

3    This strategy outlines how North Yorkshire Council will assess the risks of fraud and corruption that it faces, build its counter fraud arrangements, and tackle fraud where it occurs. It has been prepared to reflect the national collaborative counter fraud strategy for local government in the UK, Fighting Fraud & Corruption Locally – A Strategy for the 2020s.[2]

4    The strategy has been reviewed by the Audit Committee as part of its responsibility to review the effectiveness of counter fraud and corruption arrangements at the Council. The strategy and action plan will be reviewed annually.

**Our aim**

5    Fighting Fraud & Corruption Locally recommends councils consider the effectiveness of their counter fraud framework by considering performance against the five key themes set out below. The Council's aim is that it will have strong and effective arrangements in each of these areas.

- **Governing** – Ensure that the Council has robust arrangements and executive support in place to ensure that anti-fraud, bribery and corruption measures are embedded throughout the organisation.

- **Acknowledging** – Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

---

[1] Fraud and Error (Ninth Report of Session 2021/22), Public Accounts Committee, House of Commons
[2] A Strategy for the 2020s, Fighting Fraud and Corruption Locally

- **Preventing** – Detecting and stopping fraud by making better use of information and technology, enhancing fraud controls and processes, and developing a strong anti-fraud culture internally.

- **Pursuing** – Maintaining capacity to investigate suspected fraud and creating a deterrent by taking robust action against fraudsters and recovering losses where they occur.

- **Protecting** – Helping to ensure that the Council, its employees, and the communities of North Yorkshire are protected from the impact of fraud.

**New arrangements and action required**

6      North Yorkshire Council will have strong counter fraud arrangements in place from the outset. These include:

- A new policy framework containing a range of policies designed to prevent, detect and deter fraud.

- A counter fraud team with the remit to investigate fraud, raise awareness, and advise on anti-fraud controls across all council service areas.

- Robust control arrangements for key financial systems, underpinned by statutory requirements and the Financial Procedure Rules, which are regularly scrutinised by internal and external audit.

- Participation in the National Fraud Initiative – a central government led datamatching exercise.

7      Actions linked to the five key themes are required to further strengthen counter fraud arrangements. These include:

- Assessment of the risks of fraud across service areas. The results of the risk assessment will inform the work of the counter fraud and internal audit teams.

- Raising the awareness of all employees of the Council's counter fraud framework and their responsibilities to help prevent and detect fraud.

- Telling the public and employees how to report fraud and letting them know the Council will take action to address their concerns.

- Ensuring the Council can use the information it holds to analyse and match data to detect fraud, in a way that complies with UK GDPR.

These recommendations form part of the Strategy Action Plan contained in appendix A of this strategy. Progress against these actions will be reported annually to the Audit Committee.

**Counter fraud policy framework**

8   This strategy is part of the Council's overall framework for countering the risks of fraud and corruption. Further detailed information can be found in other policies and procedures including:

- Counter Fraud and Corruption Policy - this sets out responsibilities for counter fraud and investigation work.
- Counter Fraud Prosecution Policy – this sets out what actions the Council can take if fraud is detected and the decision making processes around it.
- Anti-Bribery and Anti-Money Laundering & Terrorist Financing Policies – defines council responsibilities in respect of the Bribery Act 2010, Proceeds of Crime Act 2002, Money Laundering, Terrorist Financing, and Transfer of Funds Regulations 2017, and Money Laundering Regulations.
- Whistleblowing Policy - arrangements for Council employees to raise concerns under the Public Interest Disclosure Act 1998.
- Fraud Risk Assessment – an annual risk assessment undertaken to identify counter fraud risks and develop actions to address those risks.

9   The strategy also links to, and is supported by, wider council policy and procedures covering areas such as:

- governance
- employee disciplinary arrangements
- codes of conduct
- registers of interest
- Financial Procedure Rules
- electronic communications
- information security
- cyber security

# Appendix A: Counter Fraud Strategy Action Plan

Veritau are responsible for maintaining, reviewing, and strengthening counter fraud arrangements at the Council. An annual review of priorities for developing counter fraud arrangements will be undertaken. Actions to be taken over the next year are set out below.

In addition to the specific areas set out in the table below, ongoing activity will continue in other areas that contribute to the council's arrangements for countering fraud, including:

- a rolling programme of fraud awareness training for officers based on priorities identified through the new fraud risk assessment and any emerging issues
- regular reporting of counter fraud activity to the Audit Committee

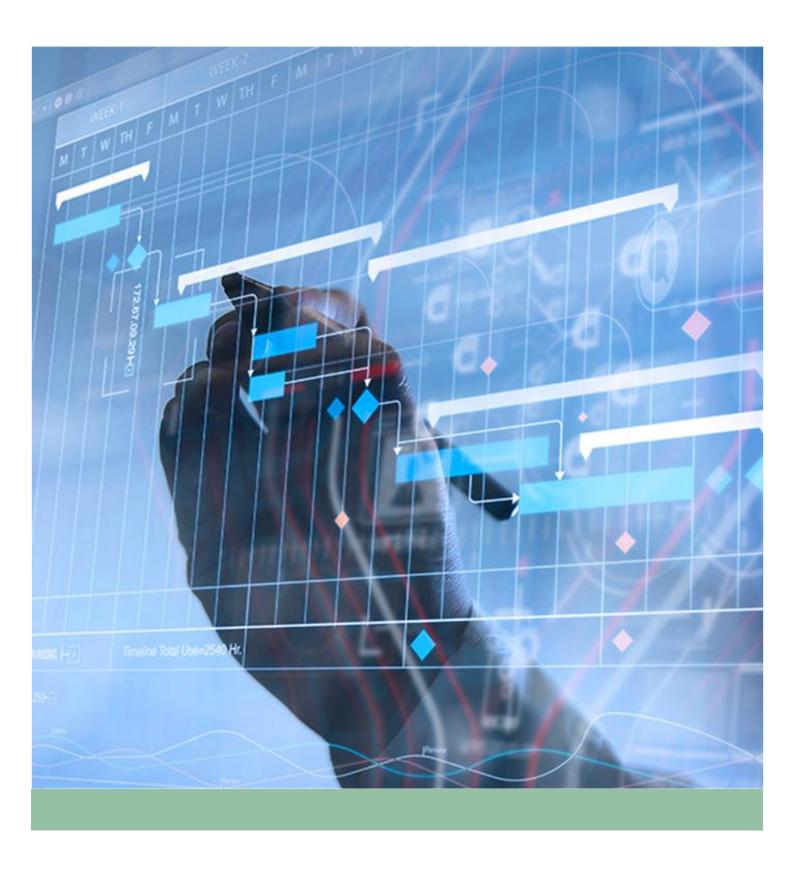| Ref | Action Required | Theme | Target Date | Responsibility | Notes / Further Action Required |
|-----|-----------------|-------|-------------|----------------|-------------------------------|
| 1 | Prepare a counter fraud strategy which acknowledges fraud risks facing the Council and sets overall counter fraud aims. The strategy should set out actions required for developing counter fraud arrangements. | Governing | April 2023 | Director of Resources / Veritau | Progress against the strategy to be reviewed and reported annually. |
| 2 | Develop the Council's counter fraud policy framework and ensure that robust policies are in place. | Governing | April 2023 | Audit Committee / Veritau | The Council has approved Counter Fraud and Corruption, Anti-Bribery, Whistleblowing, and Anti-Money Laundering Policies. |
| 3 | Create and review a new Fraud Risk Assessment which evaluates the threat of fraud | Acknowledging | April 2023 | Audit Committee / Veritau | A new Fraud Risk Assessment has been created and presented to the |

| Ref | Action Required | Theme | Target Date | Responsibility | Notes / Further Action Required |
|---|---|---|---|---|---|
| | to the new authority within specific service areas. | | | | Audit committee. It will be reviewed and updated annually. |
| 4 | Approve an annual counter fraud workplan with sufficient resources to enable counter fraud work to be undertaken. | Acknowledging | April 2023 | Audit Committee / Veritau | A counter fraud workplan for 2023/24 is being taken to the current committee meeting. |
| 5 | Raise awareness of the counter fraud policy framework amongst all council employees.<br><br>Counter fraud guidance will be disseminated to employees throughout the year as part of targeted campaigns. | Preventing | January 2024 | Veritau / Communications Department | General awareness of counter fraud policies to be provided to all employees.<br><br>Targeted campaigns will include information relating to whistleblowing, cybercrime, money laundering, bribery, and tenancy related fraud.<br><br>Specific training on the Whistleblowing Policy for employees and managers will be made available on the Learning Zone. |
| 6 | Create a framework to undertake data analysis and matching projects to detect fraud using council data. | Preventing | March 2024 | Veritau | Ensure that privacy notices and data protection impact assessments are in place to enable this work. |
| 7 | Develop processes with the Legal Department to ensure that when fraud against the | Pursuing | June 2023 | Veritau / Legal Department | Legislation covering some areas of counter fraud work |

| Ref | Action Required | Theme | Target Date | Responsibility | Notes / Further Action Required |
|---|---|---|---|---|---|
| | Council is detected that legal and recovery action can be taken swiftly. | | | | require legal action to be taken quickly. |
| 8 | Review the outcomes of the 2022/23 National Fraud Initiative (NFI) from all councils forming the new authority. | Pursuing | March 2024 | Veritau | The NFI exercise took place pre-LGR so results are currently separated across the 8 councils that formed NYC. The data matches may identify fraud affecting the new unitary council. |
| 9 | Raise awareness of the threat of fraud to employees and the public. Publicise routes to report fraud for employees and the public. | Protecting | October 2023 | Veritau / Communications Department | Ensure that relevant information is on the Council's intranet and website.

Consider other ways to promote the counter fraud hotline. |
| 10 | Conduct a review of Council arrangements to prevent and detect fraud in high risk areas, as identified in the fraud risk assessment. | Protecting | March 2024 | Veritau / Relevant Service Areas | Higher risk areas include housing, creditor payments, and adult social care funding. |

# COUNTER FRAUD PLAN 2023/24

Date: 20 March 2023

NORTH
YORKSHIRE
COUNCIL

Daniel Clubb
Assistant Director – Counter Fraud

Max Thomas
Head of Internal Audit

# 💼 INTRODUCTION

1    Veritau undertakes counter fraud work on behalf of North Yorkshire Council. This document summarises the agreed areas of counter fraud work for 2023/24.

2    A total of 1,137 days of counter fraud work has been agreed for 2023/24. A large proportion of this work will comprise reactive investigations which are determined by referrals received from officers and the public about suspected fraud. Other work will be undertaken in accordance with priorities determined by the Fraud Risk Assessment and Counter Fraud Strategy Action Plan (included as part of this report).

3    A high level summary of areas for counter fraud work in 2023/24 are shown in the table below.

## 💬 2023/24 COUNTER FRAUD SUMMARY

| Area | Scope |
|---|---|
| **Counter Fraud General** | Monitoring changes to regulations and guidance, reviewing counter fraud risks, and support to the Council with maintenance of the counter fraud framework. Updates on significant fraud trends and counter fraud activities will be provided to the Audit Committee during the year. |
| **Proactive Work** | This includes:<br><br>• raising awareness of counter fraud issues and procedures for reporting suspected fraud - for example through training and provision of updates on fraud related issues<br>• targeted proactive counter fraud work - for example through local and regional data matching exercises<br>• support and advice on cases which may be appropriate for investigation and advice on appropriate measures to deter and prevent fraud. |
| **Reactive Investigations** | Investigation of suspected fraud affecting the council. This includes feedback on any changes needed to procedures to prevent fraud reoccurring. |
| **National Fraud Initiative** | Coordinating submission of data to the Cabinet Office for the National Fraud Initiative (NFI) data matching programme and investigation of subsequent matches. |
| **Fraud Liaison** | Acting as a single point of contact for the Department for Work and Pensions, to provide data to support housing benefit investigations. |

# Appendix 3 - Fraud Risk Assessment

| Risk Area | Risk Description | Inherent Risk | Risk Controls | Residual Risk | Priorities for IA / CFT |
|---|---|---|---|---|---|
| Adult Social Care Fraud | Losses can occur through deprivation or non-declaration of capital. For example, the transfer or disguise of property and assets in order to avoid paying for residential or domestic care provision. Fraud can also occur through the misuse of the Direct Payment scheme. For example, where money allocated to meet a customer's assessed needs are not used to procure appropriate services.<br><br>In cases where fraud or error is identified, the average loss is £18k (based on the outcomes of investigations by the counter fraud team over the past six years). Losses in individual cases can be much higher, especially if they are not detected at an early stage. | **High** | Applications for care funding are carefully assessed to ensure that recipients meet the eligibility criteria and that any financial contribution for care by the customer is correctly calculated.<br><br>Use of Direct Payments is monitored by council officers who check for possible false claims and overstated needs.<br><br>The residual risk of Adult Social Care fraud is still considered to be high. This is due to the scale of losses and the speed at which they can be accrued. It is also a reflection of the difficulty all councils have in detecting assets when people are determined to keep them hidden. | **High** | Veritau has established relationships with senior management and officers responsible for the provision of Adult Social Care; concerns of fraud are regularly reported to the counter fraud team (CFT) for investigation. Internal audit (IA) will periodically conduct audits in higher risk areas, eg Direct Payments.<br><br>CFT will deliver a rolling programme of fraud awareness to employees with responsibilities for assessment and payments.<br><br>Investigation of fraud in this area provides a deterrent to those considering committing it and can assist the Council to recover losses through the court system. |

| Risk Area | Risk Description | Inherent Risk | Risk Controls | Residual Risk | Priorities for IA / CFT |
|---|---|---|---|---|---|
| Creditor Fraud | Fraud against creditor payment systems has increased in terms of volume and sophistication over the past three years. The mandatory publication of payment data makes councils particularly vulnerable to attack. Attacks are often the work of organised criminal groups who operate from abroad. Individual losses due to fraud can be extremely large (in excess of £1 million). The likelihood of recovery is low once a fraud has been successfully committed.<br><br>The most common issue is mandate fraud (payment diversion fraud) where fraudsters impersonate legitimate suppliers and attempt to divert payments by requesting changes in bank details. Other types of fraud include whaling, where senior members of the Council are | High | The Council has put strong controls in place to identify fraudulent attempts to divert payments from genuine suppliers and to validate any requests to change supplier details. Most employees joining the authority will be familiar with these practices which were previously implemented locally as a response to emerging threats.<br><br>Segregation of duties exist between the ordering, invoicing and payments processes.<br><br>The residual risk of creditor fraud is still considered to be high due to potentially high levels of loss, the frequency of attacks on public organisations, and potential employee adjustment to new teams and working practices as the authority forms. The Council's reliance on employees working for both the Council and its | High | Veritau will regularly provide support and advice to finance officers responsible for the payment of suppliers.<br><br>The IA plan will include audits of key financial systems and processes. This will include ordering and creditor payment processes, eg segregation of duties and controls to prevent mandate fraud. IA will also undertake duplicate payment checks on a regular basis.<br><br>An e-learning module has been made available to all employees joining North Yorkshire Council and highlights threats to financial systems. CFT has delivered fraud awareness training to relevant teams ahead of the formation of the new authority. Increased awareness provides a greater chance to stop fraudulent attempts before losses occur. |

| Risk Area | Risk Description | Inherent Risk | Risk Controls | Residual Risk | Priorities for IA / CFT |
|---|---|---|---|---|---|
| | targeted and impersonated in order to obtain fraudulent payments.<br><br>During its early operation, the Council may be at increased risk from impersonation-based attacks. Staff members joining new teams may be deceived by fraudsters posing as council officers or suppliers with whom they are not yet familiar in attempts to set up payments and release funds to non-supplier accounts.<br><br>In recent years there have been increased instances nationally and regionally of hackers gaining direct access to email accounts of suppliers and using these to attempt to commit mandate fraud. These attempts can be much more difficult to detect and prevent. | | suppliers to follow processes, and human error are factors in many successful mandate fraud attacks. | | All instances of whaling fraud reported to CFT will be reported to the relevant agencies, such as the National Cyber Security Centre, as well as directly to the email provider from which false emails originated.<br><br>The counter fraud team will share intelligence alerts relating to attempted fraud occurring nationally with relevant council officers to help prevent losses.<br><br>As part of any investigation of attempted fraud in this area, the CFT will advise on improvements that will strengthen controls. |

| Risk Area | Risk Description | Inherent Risk | Risk Controls | Residual Risk | Priorities for IA / CFT |
|---|---|---|---|---|---|
| | Increased remote working has resulted in greater opportunities for fraudsters to impersonate budget holders or suppliers in electronic communications to divert funds. | <span style="background-color:red"> </span> | | <span style="background-color:red"> </span> | |
| Cybercrime | Cybercrime is an evolving area where criminals are continually refining their techniques in order to overcome controls, obtain unauthorised access and information, and frustrate systems.<br><br>As cybercrime can be perpetrated remotely, attacks can come from within the UK or overseas. Some cybercrime is motivated by profit, however, some is designed purely to disrupt services.<br>Types of cybercrime experienced by local authorities include ransomware, phishing, whaling, hacking, and denial of | **High** | The Council will bring together highly skilled ICT employees whose expertise can be used to help mitigate the threat of cybercrime. The ICT department has processes to review threat levels and controls (eg password requirements for employees) on a routine basis.<br><br>The ICT department uses filters to block communications from known fraudulent servers and will encourage employees to raise concerns about any communications they do receive that may be part of an attempt to circumvent cybersecurity controls. | **High** | IA will routinely include IT audits in the annual work programme.<br><br>Raising awareness with employees can be crucial in helping to prevent successful cyberattacks. The CFT works with ICT to support activities on raising awareness. A campaign to mark cybersecurity awareness month will be undertaken annually.<br><br>ICT can access free resources from the National Cyber Security Centre to help develop and maintain their cyber defence strategy. |

| Risk Area | Risk Description | Inherent Risk | Risk Controls | Residual Risk | Priorities for IA / CFT |
|---|---|---|---|---|---|
| | service attacks. Attacks can lead to loss of funds or systems access/data which could impact service delivery to residents.<br><br>During the period of transition to the new authority in North Yorkshire, some systems will remain as locally accessed until the can be integrated (eg Revenues and Benefits records). Ensuring consistent security measures across the Council's infrastructure will be important in protecting the wider system.<br><br>There have been a number of high profile cyber-attacks on public and private sector organisations in recent years. Attacks stemming from the hacking of software or IT service providers have become more prevalent. These are known as supply chain attacks and are | | Despite strong controls being in place, cybercrime remains a high residual risk for the Council. The potential for cybercrime is heightened by the availability of online tools. The National Crime Agency report that cybercrime can now be committed by less technically proficient criminals.<br><br>Human error was found to be a factor in 82% of cyber breaches according to a recent study[1]. Council systems could be exposed by as yet unknown weaknesses in software. Suppliers of software or IT services could also be compromised which may allow criminals access to council systems believed to be secure. The residual risk of cybercrime remains high due to the constantly evolving methods employed by fraudsters which | | |

[1] 2022 Data Breach Investigations Report, Verizon

| Risk Area | Risk Description | Inherent Risk | Risk Controls | Residual Risk | Priorities for IA / CFT |
|-----------|------------------|---------------|---------------|---------------|-------------------------|
| | used by hackers to target the end users of the software created by the organisations targeted. | | requires regular review of controls. | | |
| Council Tax & Business Rates Frauds (discounts and exemptions) | Council Tax discount fraud is a common occurrence. CIFAS conducted a survey in 2022 in which 10% of UK adults said they knew someone who had recently committed single person discount fraud. In addition, 8% of people thought falsely claiming a single person discount was a reasonable thing to do. Individual cases of fraud in this area are of relatively low value but cumulatively can represent a large loss to the Council.<br>Business Rates fraud can also involve falsely claiming discounts that a business is not entitled to, eg small business rate relief. Business Rate fraud is less prevalent than Council | High | The Council employs a number of methods to help ensure only valid applications are accepted. This includes requiring relevant information be provided on application forms, and visits to properties are undertaken where needed, to verify information.<br><br>The Council will routinely take part in the National Fraud Initiative (NFI). It will inherit the ongoing NFI exercise from the former district councils in North Yorkshire which may allow cross checking for potential instances of fraud in multiple locations (eg multiple claims for single person discount by an individual). | Medium | CFT will deliver periodic fraud awareness training to employees in revenues and customer services teams about frauds affecting Council Tax and Business Rates.<br><br>IA will routinely review the administration of Council Tax and Business Rates as one of the Council's key financial systems.<br><br>CFT provide a deterrent to fraud in this area through the investigation of potential fraud which can, in serious cases, lead to prosecution. CFT will also seek opportunities to raise awareness with the public about mechanisms for reporting fraud. |

| Risk Area | Risk Description | Inherent Risk | Risk Controls | Residual Risk | Priorities for IA / CFT |
|---|---|---|---|---|---|
| | Tax fraud but can lead to higher losses in individual cases.<br><br>The Council will be bringing together employees that previously operated separately across North Yorkshire. Fraudsters may try to take advantage of changes to working practice and levels of local knowledge to exploit opportunities to obtain discounts and exemptions. | | The Council will periodically undertake reviews of single person discounts with companies who undertake data matching exercises. | | CFT will explore opportunities to proactively identify fraud through data matching in this area. |
| Council Tax Reduction Fraud | Council Tax Reduction (CTR) is a council funded reduction in liability for Council Tax. It is resourced through council funds. Fraud and error in this area is of relatively low value on a case-by-case basis but cumulatively fraud in this area could amount to a substantial loss. | High | The Council undertakes eligibility checks on those who apply for support. Officers with suitable training in benefits will manage the assessment of new and ongoing claims for CTR to identify potential issues.<br><br>The Council will routinely take part in the National Fraud Initiative (NFI). It will inherit the ongoing NFI exercise from the | Medium | CFT will routinely raise awareness of fraud with teams involved in processing claims for CTR.<br><br>CFT provide a deterrent to fraud in this area through the investigation of potential fraud which can, in serious cases, lead to prosecution. Concerns of fraud can be reported to CFT by Council employees. CFT will also seek opportunities to raise |

| Risk Area | Risk Description | Inherent Risk | Risk Controls | Residual Risk | Priorities for IA / CFT |
|---|---|---|---|---|---|
| | CTR fraud can involve applicants failing to declare their total assets or income. Those receiving support are also required to notify relevant authorities when they have a change in circumstances that may affect their entitlement to support.<br><br>The Council will be bringing together employees that previously operated separately across North Yorkshire. Fraudsters may try to take advantage of changes to working practice and levels of local knowledge to exploit opportunities to obtain funds.<br><br>A new CTR policy will be introduced across North Yorkshire. It will standardise qualifying criteria and entitlements where there may have been variation prior to | | former district councils in North Yorkshire which will help identify potential fraud and error.<br><br>The DWP use data from HMRC on claimants' incomes which is then passed through to council systems. This mitigates the risk of claimant's not updating the Council with income details.<br><br>There are established lines of communication with the DWP where claims for support are linked to externally funded benefits.<br><br>The Council will report suspected fraud to the DWP but this does not always give the Council control over resolving false claims for CTR. | | awareness with the public about mechanisms for reporting fraud.<br><br>If fraud cannot be addressed by the Council directly it will be reported to the DWP.<br><br>CFT engage with the DWP at a senior level to foster joint working wherever possible. |

| Risk Area | Risk Description | Inherent Risk | Risk Controls | Residual Risk | Priorities for IA / CFT |
|---|---|---|---|---|---|
| | LGR. A lack of knowledge about the new scheme could lead to incorrect claims being made by residents.<br><br>Most CTR claims are linked to state benefits (eg Universal Credit) which are administered by the Department for Work and Pensions (DWP). The Council has limited influence on DWP decision making which makes it harder to address fraud in this area. | | | | |
| Housing related Fraud | Council properties represent a significant asset to the Council. Housing fraud can deprive the Council of these assets through false applications for Right to Buy.<br><br>Individuals may attempt to gain council housing by providing false information to meet eligibility criteria or | **High** | The Council has strong controls to prevent false applications for housing.<br><br>The housing department will engage with tenants regularly to ensure properties are not being misused. They also conduct identity and money laundering checks on applicants during the Right to Buy process. | **Medium** | CFT will provide a deterrent to fraud in this area through the investigation of any suspected subletting of council properties using powers under the Prevention of Social Housing Fraud Act. Offenders face criminal prosecution and repossession of their council properties. The team will also support the Council in seeking Unlawful Profit Orders where |

| Risk Area | Risk Description | Inherent Risk | Risk Controls | Residual Risk | Priorities for IA / CFT |
|---|---|---|---|---|---|
| | misrepresent their circumstances to increase their priority for a property.<br><br>Tenants may sublet their property when they no longer need it in order to make a financial gain.<br><br>Tenants who sublet or falsely obtain council properties remove a property from a person or family in true need of housing and can negatively affect the Council financially if people are in temporary accommodation and are waiting for a suitable property to become available. | | | | council properties have been sublet for financial gain.<br><br>CFT will offer support through verification exercises on Right to Buy applications that are likely to proceed.<br><br>CFT will also seek opportunities to raise awareness with the public about mechanisms for reporting fraud, including through tenant newsletters. |
| Procurement Fraud | Procurement fraud, by its nature, is difficult to detect but can result in large scale loss of public funds over long periods of time. The Competition and | **High** | The Council has established Contract Procedure Rules. The rules will be reviewed regularly and ensure the requirement for a competitive process (where | **Medium** | Continued vigilance by relevant employees is key to identifying and tackling procurement fraud. CFT will provide training to raise awareness of fraud risks and |

| Risk Area | Risk Description | Inherent Risk | Risk Controls | Residual Risk | Priorities for IA / CFT |
|---|---|---|---|---|---|
| | Markets Authority (CMA) estimates that having a cartel within a supply chain can raise prices by 30% or more.<br><br>In 2020 CIPFA reported losses of £1.5m for local authorities, due to procurement fraud. It found that 8% of fraud detected in this area involved 'insider fraud'.<br><br>Contracts and supplier arrangements may be subject to renewal and changes during the transfer of services under LGR. Increased procurement activity may present additional opportunities for fraud to enter the system. | | required) through an e-tender system. A team of procurement professionals will provide guidance and advice to ensure procurement processes are carried out correctly.<br><br>Contract monitoring will help detect and deter potential fraud. | | investigate any suspicions of fraud referred.<br><br>CFT and IA will monitor and share guidance on fraud detection issued by the Competition and Markets Authority and other relevant bodies.<br><br>IA will regularly undertake procurement related work to help ensure processes are effective and being followed correctly. |
| Theft of Assets | The theft of assets can cause financial loss and reputational damage. It can also negatively impact on employee morale and disrupt the delivery of services. | **High** | Specific registers of physical assets (eg capital items, property, and ICT equipment) will be consolidated and maintained. | **Medium** | The transfer of asset registers will be an area of focus for CFT and IA in 2023/24. |

| Risk Area | Risk Description | Inherent Risk | Risk Controls | Residual Risk | Priorities for IA / CFT |
|---|---|---|---|---|---|
| | The Council will own a large amount of portable, desirable physical assets such as IT equipment, vehicles and tools that are at higher risk of theft.<br><br>North Yorkshire Council will take ownership of assets that were previously logged on separate asset registers at different organisations. During the period of transition – and while asset registers are centrally combined – it may be more difficult to identify instances of theft or loss. | <span style="color:red">[Red cell]</span> | The Council operates CCTV systems covering key premises and locations where high value items are stored.<br><br>Entrance to council buildings is regulated and controlled via different access methods.<br><br>The Council's whistleblowing arrangements provide an outlet for reporting concerns of theft. | <span style="color:orange">[Amber cell]</span> | Thefts will be reported to the police and Veritau. Instances of theft will be investigated by CFT where appropriate. |
| Internal Fraud | Fraud committed by employees is a risk to all organisations. Internal fraud within North Yorkshire councils occurred infrequently and usually resulted in low levels of loss. However, if fraud or corruption occurs at a senior level there is the potential for a greater level | **Medium** | The Council has approved new whistleblowing and anti-bribery policies. Campaigns will be held annually to promote the policies and to remind employees how to report any concerns.<br><br>The Council has checks and balances to prevent individual | **Medium** | Veritau will liaise with senior management on internal fraud issues. Where internal fraud arises, IA and CFT will review the circumstances to determine if there are underlying control weaknesses that can be addressed. |

| Risk Area | Risk Description | Inherent Risk | Risk Controls | Residual Risk | Priorities for IA / CFT |
|---|---|---|---|---|---|
| | of financial loss and reputational damage to the Council.<br><br>There are a range of potential employee frauds including theft, corruption, falsifying timesheets and expense claims, abusing flexitime or annual leave systems, undertaking alternative work while sick, or working for a third party on council time. Some employees have access to equipment and material that may be misused for private purposes.<br><br>Payroll related fraud can involve the setting up of 'ghost' employees in order to obtain salary payments. Merging of records into the Council's employee and payroll systems will need to be carefully managed to avoid errors, such as duplicate records. | | employees being able to circumvent financial controls, eg segregation of duties.<br><br>Controls are in place surrounding flexitime, annual leave and sickness absence.<br><br>The Council will regularly participate in the National Fraud Initiative. Data matches will include checks on payroll records for potential issues. | | CFT will provide training to HR officers on internal fraud issues. It will also provide training to all employees on whistleblowing and how to report concerns. An e-learning module on whistleblowing will be made available to all employees through the Council's learning platform.<br><br>CFT will investigate any suspicions of fraud or corruption. Serious cases of fraud will be reported to the police. In some instances, it may be necessary to report individuals to their professional bodies.<br><br>CFT will support any disciplinary action taken by the Council relating to internal fraud issues. |

| Risk Area | Risk Description | Inherent Risk | Risk Controls | Residual Risk | Priorities for IA / CFT |
|---|---|---|---|---|---|
| Recruitment Fraud | Recruitment fraud can affect all organisations. Applicants can provide false or misleading information in order to gain employment such as bogus employment history and qualifications or providing false identification documents to demonstrate the right to work in the UK.<br><br>There is danger for the Council if recruitment fraud leads to the wrong people occupying positions of trust and responsibility, or not having the appropriate professional accreditation for their post. | Medium | The Council has controls in place to mitigate the risk of fraud in this area. DBS checks will be undertaken where necessary.<br><br>Additional checks are made on applications for roles involving children and vulnerable adults.<br><br>References will be taken from previous employers and there are processes to ensure qualifications provided are genuine. | Medium | Where there is a suspicion that someone has provided false information to gain employment, CFT will be consulted on possible criminal action in tandem with any disciplinary action that may be taken.<br><br>Applicants making false claims about their right to work in the UK or holding professional accreditations will be reported to the relevant agency or professional body, where appropriate. |
| Treasury Management | Treasury Management involves the management and safeguarding of the Council's cash flow, its banking, and money market and capital market transactions. The impact | High | Treasury Management systems are subject to a range of internal controls, legislation, and codes of practice which protect council funds. | Low | IA will conduct periodic work in this area to ensure controls are strong and fit for purpose. |

| Risk Area | Risk Description | Inherent Risk | Risk Controls | Residual Risk | Priorities for IA / CFT |
|---|---|---|---|---|---|
| | of fraud in this area could be significant. | <span style="color:red">■</span> | Only pre-approved employees can undertake transactions in this area and they work within pre-set limits. | <span style="color:green">■</span> | |
| Fraudulent Insurance Claims | The Council may receive exaggerated or fabricated insurance claims. If false claims progress unchecked this would negatively affect the Council in terms of the annual premiums it pays.<br><br>The Council may receive claims from individuals who have previously tried – either successfully or unsuccessfully – to make claims against the former North Yorkshire Districts. These could represent attempts to gain duplicate pay-outs or revisit failed claims. | **Medium** | While insurance fraud is common, the burden of risk is largely shouldered by the Council's insurers who have established fraud investigation systems. | **Low** | CFT will explore any support that can be provided to the insurance team to complement established arrangements. |
| Blue Badge & Parking Fraud | Blue Badge fraud carries low financial risk to the authority but can affect the quality of life | **Low** | Measures are in place to control the issue of blue badges, to | **Low** | CFT will explore periodic proactive days of action with the Council's enforcement team. This will help |

| Risk Area | Risk Description | Inherent Risk | Risk Controls | Residual Risk | Priorities for IA / CFT |
|---|---|---|---|---|---|
| | for disabled residents and visitors. There is a risk of reputational damage to the Council if abuse of this scheme is not addressed.<br><br>Other low level parking fraud is relatively common. For example, misuse of residential permits to avoid commercial parking charges. | | ensure that only eligible applicants receive badges.<br><br>The Council participates in the National Fraud Initiative which flags badges issued to deceased users, and badge holders who have obtained a blue badge from more than one authority, enabling their recovery to prevent misuse. Matches from the ongoing 2022/23 NFI exercise will be completed by the Council, identifying any potential instances of fraud and error. | | raise awareness and act as a deterrent to blue badge misuse.<br><br>Warnings will be issued to people who misuse parking permits and blue badges. Serious cases will be considered for prosecution. |